

## MDP Response to the DLS Analysis

**MDP should discuss the reasons why fewer new school sites are in PFAs as well as the current status of the Banneker Douglas Museum operations and building renovation.**

The reference to fewer school sites within PFA's comes from the normal course of events in school construction of new school sites, as well as over interpretation of the data. As shown in DLS's Exhibit 1, in terms of raw numbers, the difference is between eight and ten. It should also be remembered that school construction is not subject to the priority funding areas law.

The Maryland Commission on African American History and Culture will host the Banneker-Douglass Museum's grand re-opening festivities on February 27 from 9:00 a.m. to noon. The formal ceremony and ribbon cutting will begin at 9:30 a.m. The event will also feature various performances and tours of the new expansion and renovated Mt. Moriah AME building. Starting at noon, the museum will open to the public.

While the state's capital investment in this museum has been substantial, operating funds sufficient to pay for increased utility, contractual service, and staffing costs are not in place to support the museum's increased needs and threatens to compromise its effective operation once it has reopened to the public. The museum has also suffered from significant staffing cuts – specifically, there has been a 36% decrease in staffing at BDM since FY2002. These cuts have included the loss of a critical administrative assistant position, events and public programs educator position, and loss of two new vacant positions approved to plan for programs and exhibits in the expanded facilities. In addition, during the 2005 legislative session, funds for the Education Administrator position were taken to meet budget reduction targets.

This lack of resources threatens the success of the state's substantial capital fund investment at the Banneker Douglass Museum because the resources do not exist to expand hours of operation, plan and provide educational programs, and design and install quality changing exhibits that meet museum standards for excellence. The Museum expansion *should* succeed in capturing a greater percentage of the heritage tourism market already visiting historic Annapolis and by expanding the African American tourism segment of that market. Without sufficient funds to support professional changing exhibits and public programming, however, the museum will not be able to attract repeat visitors and achieve the level of economic impact and significance as an anchor heritage tourism attraction that was hoped for by the Commission on African American History and Culture and the community. With the addition of 2,000 square feet of permanent exhibits at the expanded Banneker Douglass Museum, the museum *should* be able to develop and offer pre and post visit and curriculum based learning fieldtrip opportunities, summer camps and teacher training opportunities that enrich K-12 and life-long learning opportunities. Without the Education Administrator position,

however, the museum will be severely limited in its capacity to administer these programs.

In priority order, the museum's greatest needs are for: 1.) contractual services (to support changing exhibits and public programming) and fuel costs; 2.) funding support for the Education Administrator PIN; and 3.) restoration of the Archivist PIN.

**The Department of Legislative Services recommends that MDP discuss the status of its capacity analysis efforts and include capacity related performance measurements in future performance plans.**

Development capacity analysis (i.e., developable land inventories or build-out analysis) has been one of the top growth-related issues in Maryland for several years. Good information is important for good planning and this is particularly true with respect to land supply.

After several years of conflict about this issue, the Governor created the Development Capacity Task Force. This group included varied stakeholders and it issued a final report in July 2004. Commitments to implement this report took the form of MOUs with MML and MACo, and an executive order from the Governor. This approach was seen as preferable to statutorily mandating the analysis.

Essentially, the MOU commits local governments to include development capacity analysis in their comprehensive plan updates. Local governments are required to update their comprehensive plans every 6 years. MDP is to conduct analyses or assist local governments (where appropriate) and review these analyses to assure they meet the standards established by the MOU.

The following list categorizes jurisdictions working on development capacity analysis. This list is based on MDP's current knowledge of local governments' efforts and may be incomplete.

#### **I. Done and Incorporated Into the Comprehensive Plan**

- A. Harford County
- B. Howard County
- C. Frederick City
- D. Calvert County
- E. Mt. Airy Environs (Carroll County)

#### **II. Analysis is Done, but not in Final Comprehensive Plan**

- A. Carroll County – report is out
- B. Charles County – in draft plan that is currently out for public comment
- C. City of Havre de Grace
- D. Montgomery County
- E. City of Hagerstown
- F. Town of Chestertown

- G. Town of Federalsburg
- H. St. Mary's County

**III. Draft Comprehensive Plan submitted to MDP, but no capacity analysis included (MDP commented on the lack of capacity analysis)**

- A. Kent County – agreed to work with MDP to complete analysis
- B. Town of Ocean City
- C. Town of Queen Anne
- D. Town of East New Market

**IV. Draft Comprehensive Plan submitted to MDP, capacity analysis included but is not compliant with MOU (MDP commented on)**

- A. Town of Millington

**V. In Progress**

- A. Anne Arundel County
- B. Prince George's County
- C. Baltimore City – MDP is working with the City now
- D. Baltimore County – met with county in November 2005
- E. Worcester County – worked with to get into Draft Comp Plan
- F. Town of Taneytown
- G. Cecil County
- H. City of Cambridge – working with now (Dec. 2005)
- I. Queen Anne's County – met with County planners in October 2005

**MDP should be prepared to discuss the current status of, as well as the challenges and opportunities associated with, merging DHCD's cultural and historical programs into MDP. Specifically, MDP should address how it plans to integrate and promote relationships among its existing new programs.**

Despite the fact that MDP's Planning staff and Historical and Cultural Programs (HCP) staff are not located under one roof, these programs have identified opportunities to collaborate in innovative and productive ways. Three examples of the merger's success include the new relationships that have been developed between MDP's Local Planning Unit and HCP's Office of Heritage Planning and Outreach, between MDP's Office of Smart Growth and HCP's Office of Preservation Services, and between MDP's Resource Conservation Planning Unit and HCP's Office of Research, Survey and Registration.

The primary customers for technical assistance from both MDP's Local Planning Unit and HCP's Office of Heritage Planning and Outreach are local governments. While the nature of assistance provided by these staff members are significantly different, the end goal is the same – to assist in building local capacity and realizing community development objectives. Following the merger, staff members of the two programs began meeting on a quarterly basis to identify ways to improve the services they provide

to local governments. Some examples of those joint projects that have been identified include:

- Development of “cookbook” for historic district design guideline development which particularly addresses new construction in older neighborhoods in response to a need expressed by regional planners in the field.
- Development of historic preservation planning module for inclusion in Planning Commissioner Training Course at UMD.
- Development of a Case Study Series on issues such as Affordable Housing and Historic Preservation, use of Rehab Tax Credits; etc., for posting on website and use by regional planners in the field.
- Development of historic preservation planning unit in MML/MACO Planning track in Academy.

Historically, the interaction between MDP’s Office of Smart Growth and HCP’s Office of Preservation Services has primarily been the result of HCP’s regulatory role in state and federal undertakings at the back-end of projects rather than as part of project planning. Following the merger, MDP invited the Chief of the Office of Preservation Services to serve on the Priority Places Interagency Coordinating Committee, which conducts initial reviews of Priority Place applications and works closely with designated Priority Places to implement a plan of coordinated state assistance. Involvement of HCP staff in the Priority Places Program has proven to be of significant benefit both because of staff knowledge of the rehabilitation tax credit, capital grant, and loan programs that can be used to benefit eligible communities as well as the historic resource issues that are endemic to those communities eligible to apply for the program. Other opportunities that are being explored by the Office of Smart Growth include development of a workforce housing pilot project initiative involving historic communities and closer collaboration on transit oriented development projects.

Finally, MDP’s Resource Conservation Planning Unit is actively working with HCP’s Office of Research, Survey and Registration and Office of Heritage Planning and Outreach staff to determine how to incorporate historical and cultural resource conservation goals and strategies within the 2006 version of the State Land Preservation, Parks, and Recreation Plan. HCP staff have begun developing content for the plan addressing state and local historical and cultural resource preservation goals and objectives, listing existing implementation programs and funding sources for preservation of historical and cultural resources, and identifying needed legislative changes at the state and local level to achieve preservation goals.

While these are three examples of formal collaborative projects that have been initiated as a result of the merger, it should be noted that informal exchanges between staff members and programs happen everyday on issues ranging from the impact of expiration of the term easement on Doughoregan Manor on future development trends in Howard

County to the effect of new development in Dorchester County on the Heart of Chesapeake Country Heritage Area. While such interactions certainly could have occurred prior to the merger – they did not. It is solely due to the merger that these opportunities have been identified and are being pursued to broaden the impact and effectiveness of MDP.

**Both MDP and DGS should be prepared to respond to each of the concerns summarized above. In addition, DLS recommends deleting the proposed \$2.75 million in one-time and ongoing costs associated with the proposed move, as well as the proposed \$450,000 for retention bonuses. Finally, budget bill language is recommended that would require MDP, DGS, and DBM to submit a report to the budget committees by July 14, 2006, providing information about MDP's location needs, available State-owned offices, potential economic impacts of the move, alternatives to moving to Prince George's County, and the results of the REI.**

During the 2005 session, MDP was advised by the Department of General Services that additional space for MDP would be identified within the 301 W. Preston St. building. MDP gave its estimate of implementation of HB 1562 based on the information provided by DGS. MDP was subsequently informed by DGS, after the 2005 session, that there was in fact no space available within 301 W. Preston to facilitate the Department's expansion. This left MDP with no alternative other than finding space outside of 301 W. Preston in order to successfully merge the department.

It has been a long-standing intention of the State to move at least one, if not more, State agencies into Prince George's county. The lack of adequate space in the 301 W. Preston street building created an opportunity to act on this intention by moving a State agency into Prince George's county.

**MDP should be prepared to discuss how the additional fiscal 2007 funding will impact program performance, how the 10 year time limit will impact future funding needs, what the program specifically hopes to achieve in the next 10 years, and what synergies could be created between heritage areas and the Priority Places strategy.**

For the first five years of the Maryland Heritage Areas program's existence, resources were largely focused on the start-up and planning phase of the program with the goal of developing a statewide system of "Certified Heritage Areas" (CHAs). Since 2000, the Heritage Area program has grown, at a rate of approximately two per year, from one CHA to its current size of ten CHAs. Up to three more heritage areas are expected to be certified in the next few years. As the number of CHAs has increased, a higher percentage of total annual program funding has gone to operating support for the ten local CHAs, each of which is eligible under the Maryland Heritage Areas Authority's (MHAA) policy to receive State operating support of \$100,000 annually for five years and \$50,000 annually for an additional five years. While operating assistance funding of CHAs will eventually become a smaller part of total program expenditures, at the current

\$1 million level of funding the provision of operating support would continue for at least five years to consume the bulk of program funds. This would allow little funding for critically needed heritage tourism development projects within current and future CHAs. With a statewide heritage area system now largely in place, CHAs and their partners are ready to implement capital and non-capital projects to develop the heritage tourism products and destinations that attract visitors to the state. This is the essential second phase in the development of a successful Maryland heritage areas system.

The key component in the creation of a CHA is the development of a Heritage Area Management Plan. These locally developed, State-approved management plans define priority projects, products, and actions within each CHA and serve to target limited state and matching non-state resources to priority undertakings identified through the management planning process. The heritage areas system is now at a critical point in its development when the greatest need is for funding to develop the sites, facilities and supporting tourism infrastructure that will provide the tourist-ready destinations which attract visitors to Maryland and encourage them to stay longer and visit more often. In addition, as tourist destinations and products become available, there is an increasing need to market these resources broadly to potential visitors. This cannot be done if funding remains at its current level.

Under current Maryland Heritage Areas Authority (MHAA) policy, CHAs are eligible to receive up to ten years of operating assistance grant support from the MHAA. Following certification, CHAs may receive five annual operating assistance grants of up to \$100,000. In years six through ten, the maximum annual funding drops to \$50,000. Assuming this funding policy remains unchanged and that three additional heritage areas are certified before the system reaches its anticipated full development, future operating assistance funding is projected to total approximately \$5,600,000. The majority of this funding will occur over the next five years to eight years depending on when the additional projected three additional heritage areas are created. The amount of operating assistance will decrease annually as CHAs reach the limit of their ten-year eligibility. As the amount of operating assistance funding decreases, increasing levels of funding will be directed to capital and non-capital projects to develop heritage tourism resources.

It is anticipated that over the next 5 years an additional three heritage areas will be created, bringing the system of Maryland Heritage Areas to its anticipated fully developed size of 13 Certified Heritage Areas. The major focus of these 13 CHAs and the State Heritage Area program during the next ten years will be the expansion and development of heritage tourism destinations such as museums, nature parks and trails, and historic sites, as well as necessary support infrastructure including historic structure-based hotels, bed & breakfasts, and restaurants, visitor centers, guidebooks and maps, way-finding road signage, and other tourism-related infrastructure. As the system matures, it is envisioned that an increasing number of cultural, historic and natural sites will be preserved, rehabilitated and made available as heritage tourism destinations and community amenities. Marketing of these sites and facilities on a local, national and international level will become increasingly important in order to inform the heritage

traveler about the attractions and destinations available, and for Maryland to better compete in the highly lucrative heritage tourism market.

From its inception, the Maryland Heritage Areas program was designed to utilize targeted State grants and loans to leverage significant non-State investment in sustainable community and economic revitalization through heritage tourism and business development. The program has been remarkably successful in doing this. A 2003 economic benefits study done for the General Assembly demonstrated that every grant dollar invested by the program generates a total of \$4.61 in annual, ongoing state and local tax revenue. Additionally, the just over \$7 million invested to date has been matched by more than \$15.7 million in non-State funds and leveraged more than \$60 million in other public and private sector tourism-related investments. As more heritage tourism resources are developed with the assistance of relatively modest State assistance, the program's success as a stimulus of economic growth is predicted to continue.

### Priority Place and Heritage Area Synergies

One of the criteria for State certification of a proposed Heritage Areas, is that:

“The boundary for the Certified Heritage Area should overlap to the optimal extent with other local, State, and Federal “revitalization” designations (e.g. special taxation districts, locally zoned historic districts, National Register Historic Districts, Enterprise or Empowerment Zones, State Priority Places, Designated Revitalization Areas, Maryland Main Street designations, Rural Legacy Areas, etc.).”

Additionally, designated Target Investment Zones (TIZs) are priority areas within Certified Heritage Areas with available specialized benefits designed to attract significant private investment. The criteria for creating a TIZ specify:

“The boundary for the Target Investment Zone(s) should overlap to the optimal extent with other local, State, and Federal “revitalization” designations (e.g. special taxation districts, locally zoned historic districts, National Register Historic Districts, Enterprise or Empowerment Zones, Designated Revitalization Areas, Maryland Main Street designations, State Priority Places, Rural Legacy Areas, etc.).”

These criteria must be demonstrated to have been met and be an integral part of the Heritage Area Management Plan that guides the development of each Certified Heritage Area. Therefore, to a large extent the Maryland Heritage Area program is already designed to create synergies between heritage areas and the State's Priority Places Strategy.

**MDP should be prepared to describe how it intends to measure the impact of the Priority Places Strategy. Further, MDP should note whether the fiscal 2007 allowance supports implementation of the Priority Places Strategy by, for example, describing which existing State programs, including those administered by the Maryland Department of Transportation, DCHC and DBED.**

Each Priority Place has a lead Caseworker who is responsible for keeping regular reports of activities for the purpose of monitoring state assistance and identifying potential problems that need to be addressed. The long-range purpose is to evaluate how the State can help make PFAs better equipped to accept growth; how the State can help local governments realize comprehensive plan policies for directing growth; and how the State can help developers with specific projects inside of PFAs. MDP through its lead role on the coordinating committee is currently working to develop more measurable targets to measure the impact of each Priority Place.

Another longer-range evaluation is to determine how the priority place designation served as a catalyst for broader change in the community? MDP intends to monitor the areas surrounding Priority Places to determine if there is accelerated redevelopment that promotes more mixed-use, walkable communities.

Due to limited fiscal resources and a desire to attract maximum private sector investment, there is no dedicated funding source for Priority Places. The program does however leverage existing State programs and funding. One purpose of the program is to assist priority place designees to help navigate individual program applications. Priority Place projects must apply through normal application requirements of the respective State agencies. Priority Place applications earn additional points as a result of their designations but all other program evaluation criteria must be met.

Specific measures of success include:

The number of projects which further state goals for Priority Funding Areas, Brownfield clean up and redevelopment; Transit-Oriented Development, Community Redevelopment and Revitalization, Chesapeake Bay Tributary Strategies, mixed-use development, Environmental Benefits Districts, or another goal of the state, such as reclaiming abandoned public properties or promoting more transportation choices and workforce housing.

The amount of private sector investment in each Priority Place.

The extent to which pre-existing state involvement/resources are leveraged as a result of the priority place designation?

Total funding from all State programs directed to Priority Places consistent with agencies program(s) criteria.

**MDP should describe the managerial duties performed by the management service positions and defend the need for such a high number of at-will managers. Additionally, MDP should comment on whether there is continued justification for the historical and cultural program positions to be special appointments and thereby not afforded the higher level of rights and protections available to State positions that are not at-will.**

MDP has numerous managers within the Department because MDP has an extremely unique and varied statutory authority. To fulfill our statutory obligations, we must have professionals with extremely disparate skill sets. The diversity of responsibilities results in a significant number of small divisions, each with different skills and capabilities. This is not a new development within the Department. The number of management service employees as a percentage of the overall agency has remained largely the same over the last decade.

MDP also has a much longer tenured staff than most state agencies. By and large our managers have been with the agency over 10 years. A large percentage of our employees in the management service designation are employees that worked for years as skilled service employees. In order to continue a career path of advancement and promotion, there is no alternative for these employees other than moving to positions that are management service, and therefore “at will”.

Like most other state agencies, MDP has issues retaining its most qualified and competent staff members. The State personnel system has an inherent flaw built into its design. In order to continue to be promoted and receive raises beyond step increases, employees must have supervisory responsibility. MDP would recommend that any changes to the number of at will employees be accompanied with changes to the State personnel system that allow for promotions of talented and capable employees without mandating supervisory responsibilities.

The designation of historical and cultural programs staff as special appointments is a part of the HCP statute, Article 83B, Title 5. It was designed as a way for HCP to attract and retain employees with extremely specific skills and expertise. A change to the status of HCP employee’s classification would require an act of the General Assembly.

## **Recommended Actions**

1. Add budget bill language requiring a report, providing information about the department’s relocation needs, impacts and opportunities, and outlining alternatives to moving to Prince George’s County.

**Agency Response: Oppose**

This language is unnecessary and will unnecessarily impede the merger of HCP into MDP.

2. Delete retention bonus funds \$450,000 GF.

**Agency Response: Oppose**

These funds are critical to both retain and reward state employees.

3. Delete new funding associated with implementation of Corsica River watershed restoration efforts. \$66,400 GF

**Agency Response: Oppose**

This is a critical position for environmental restoration. Corsica, the first Candidate Watershed will require a coordinated interagency approach that takes advantage of all the State's available resources. MDP will provide data, trend analysis, research assistance, and policy development and implementation support for local governments, communities, businesses, and organizations. The Department will also provide technical assistance, local program review and planning design services for the effected Maryland counties and municipalities.

As MDP monitors and forecasts changes in development and land use near the candidate watershed, we will aid the effected communities with research tools and techniques to assist in planning for the regions future. Information on demographic, socio-economic, political, cultural, geographic and land-use trends will be collected, analyzed, and distributed in multiple formats. With computer mapping and geographic information systems, MDP will support map display and analysis of census data, satellite imagery, aerial photography, land-use and parcel data to enhance and assist growth management and land-use planning across the candidate watershed's affected communities. MDP's involvement is critical to this effort.

4. Delete new funding associated with an unidentified watershed restoration initiative.

**Agency Response: Oppose**

5. Delete funds for the proposed move to Prince George's County (\$1.75 million) and rent costs associated with the new office space (\$1.0 million).

**Agency Response: Oppose**

It is imperative for management purposes to have all MDP employees housed in a single location.

6. Reduce funding for the Museum Assistance Grant Program (\$1.0 million) and delete funding for a grant to the Maryland Women's Heritage Center (\$500,000).

**Agency Response: Oppose**

Historical and Cultural Museum Grants are administered through the Historical and Cultural Museum Advancement Program. These grants are available to museums, operated by nonprofit organizations or local jurisdictions that have been open to the public on a regular basis for three years. The grants' main purpose is to identify and reward excellence in museum practice and to use state funds to leverage non-state support for historical and cultural museums. All grants require a dollar for dollar match.

Museum Education and Planning Grants (museum budgets under \$50,000) assist museums, historical societies, and historic sites in creating organizational plans to guide their programming and institutional development. Museum Challenge Project Grants (museum budgets \$50,000 to \$250,000) provide support to museums for a wide range of projects from public interpretation to collections management. These grants are designed to encourage excellence in museum practices. Museum Challenge Enhancement Grants (museum budgets over \$250,000) support on-going museum programs and activities for Maryland's flagship museums.

MDP already anticipates more applications than funding, even at the \$2.2 million funding level. This program is extremely successful and has been woefully under funded in prior years.

The Maryland Women's Heritage Center (MWHC) and Museum, Inc. was established as a 401(c)(3) non-profit organization in March, 2005. The Center, currently in its development stage, has been involved this past year in extensive statewide organizational outreach and program development. An outgrowth of the nationally recognized Maryland Women's History Project, which was initiated in 1981, the innovative MWHC is being established as the first state center of its kind in the nation.

The MWHC Program Committee has developed connections with many organizations across the state in 2005, conducting informational meetings and focus groups to assure that women of diverse cultural and geographical backgrounds will be represented in the Center. An Advisory Board of educators, historians, representatives of women's groups, leadership development experts, community leaders, and museum specialists have provided input into the development of innovative and interactive MWHC programs. Funds will be used to provide professional development for MWHC staff and Board

members, including Center membership in museum and heritage organizations, visitations to other sites similar in scope to the MWHC, as well as to women's history sites. Resources would also be used to explore collaborations with a range of organizations (in addition to those already established between the Center, the Maryland State Department of Education, the James MacGregor Burns Academy of Leadership, the National Women's History Project, and the Mid-Atlantic Equity Center.

The Center will be part of Maryland's expanding tourism industry. Funds would be utilized to implement special programs, such as promoting the Maryland Women's History Project's statewide Maryland Women's Heritage Trail, and sponsoring local women's history tours related to the 2006 Baltimore Convention and Visitors Association's project to highlight Baltimore as a "women-friendly" place to visit. The Center will also contribute to the social and economic empowerment of women from all walks of life by holding seminars and programs on leadership development and contemporary women's issues.

## **MDP PAYGO Budget**

- 1. MDP should be prepared to explain the potential impact of HB314/SB223. Specifically, MDP should discuss how this change may impact the percentage of total annual commercial tax credits approved in Baltimore City, why this program merits a \$30 million annual appropriation for the next five years, and how MDP intends to ensure this program is consistent with Smart Growth principles and supportive of the Priority Places Strategy.**

Senate Bill 223 (cross filed with HB314) would make 5 changes to the 2004 version of the Maryland Heritage Structure Rehabilitation Tax Credit Program statute that are outlined on page 10 of the MDP PAYGO Budget Summary. One of these changes involves elimination of the provision that prohibits any single jurisdiction from receiving more than 50% of the value of all initial credit certificates that may be awarded. The impact of this change to the program would be that applications for commercial tax credits would be rated and ranked based upon the criteria required in the existing statute and would be awarded tax credits based upon their final ranked score regardless of geographic location. While it is possible that this could result in the award of a larger percentage of commercial tax credits to projects located in Baltimore City than were approved in FY06, this provision could have the opposite effect as well.

This program merits a \$30 million annual appropriation for the next five years because it is one of the State's most powerful economic development and community revitalization tools. The overwhelming success of this program has resulted in the certification of approximately 1,587 residential and 321 commercial rehabilitations statewide since 1997. These projects represent a combined total of \$786 million in private investment. For commercial projects alone, the Governor's Task Force on the Tax Credit Program reported that for every tax dollar paid out by the State, \$1.02 was returned in the first year and \$3.31 the fifth year after the project's completion.

Besides being an effective program, the tax credit is one of the very few financial incentives available to encourage historic preservation capital activity by for profit businesses and private individuals. Demand for the program remains high. The number of tax credit project applications received in FY06 totaled 79. These requests for tax credit assistance greatly exceeded the \$20 million in available tax credit funds.

MDP intends to ensure that this program is consistent with Smart Growth principles and is supportive of the Priority Places Strategy by including in the project rating and ranking procedure additional points for those projects located within priority places and priority funding areas.

**2. MDP should be prepared to discuss how it calculates these two measurements [# of tax credit projects approved and amount of private funding leveraged by the tax credit] and why it is not anticipating a more significant increase in fiscal 2007 due to the additional \$10 million in State funding for the program.**

Both of these measurements are estimates based on previous year activity. Please note that FY06 actual activity for commercial tax credits totaled 36 projects (this figure was not available at the time that the budget was submitted). Consequently, the number of tax credit projects approved for FY07 could be as few as 10 (10 projects each meeting the \$3M per project cap) or as many as 52 projects based on last year's average per project tax credit award of \$571,428. Since there is no way to predict what projects will be submitted for consideration, the projection of 46 commercial tax credit projects in FY07 is simply a conservative estimate based on previous year activity and the anticipated FY07 appropriation of \$30M. The same is true for the amount of leverage anticipated by these projects. A more significant increase in the number of projects and amount of leverage is certainly possible in FY07.

Performance Measures	FY03 Actual	FY04 Actual	FY05 Est.	FY05 Actual	FY06 Est. <sup>1</sup>	FY07 Est. <sup>2</sup>
<b>Output:</b> Number of approved proposed commercial projects using State Rehabilitation Tax Credits in a given calendar year	161	51	0	0	35	46
<b>Output:</b> Value of approved commercial rehabilitation expenditures incentivized by the State Rehabilitation Tax Credit (\$ millions)	\$163.6	\$104.7	\$0	0	\$116.8	\$159
<b>Outcome:</b> Amount of other <sup>3</sup> investment leveraged by the State Rehabilitation Tax Credit in the rehabilitation of historic commercial properties (\$ millions)	\$130.9	\$79.7	\$0	0	\$96.8	\$129
Percent of other investment leveraged by the State Rehabilitation Tax Credit in the rehabilitation of historic commercial properties	80%	76%	0%	0	83%	81%

<sup>1</sup> These projections have been revised based on a cursory review of FY06 applications received to date.

<sup>2</sup> FY07 figures are greater than FY06 as up to \$30M may be allocated for tax credit projects in FY07.

<sup>3</sup> Previously, this investment was defined as "private." However, public funds, including federal grants and loans, local loans, and state loan money made available at the arbitrage rate may be considered as part of the total project cost basis on which the tax credit is calculated. Consequently, the term has been redefined to more accurately reflect actual conditions.

## **Recommended Actions**

1. Delete funding for the Maryland Historical Trust Revolving Loan Fund.

\$450,000 SF

### **Agency Response: Oppose**

This program has perhaps not had the highest level of activity in the last few years, yet we strongly believe that this situation is going to reverse itself for a number of reasons.

To begin with, beginning in the summer of 2005, the Maryland Historical Trust began marketing a change in Loan Program policy which would allow owners of historic properties that are individually designated or located within the boundaries of historic districts that have been designated by local governments to receive low interest loans for rehabilitation purposes without requiring that those owners donate an historic preservation easement to the Trust. Such loans may be used for exterior rehabilitation work only. This is an extremely significant change to the program, as the easement requirement is often a stumbling block for potential loan recipients.

Perhaps more importantly, this loan program exists and depends on existing market conditions. The extremely low interest rates of the past 4 years have obviously diminished the desirability of this program. Now would be precisely the wrong time to eliminate funding for the program because rising interest rates will stimulate increased demand.

Lastly, MDP is strongly marketing and promoting this program. Under the Department of Housing and Community Development, this program languished among a myriad of funding programs. The Department of Planning intends to put significant staff resources behind this program. All of MDP's planners are already actively promoting this program to eligible participants throughout the State. This effort is beginning to pay off. MDP currently has four loan applications totaling nearly \$1 million.

2. Add budget bill language authorizing the department to submit a fiscal 2007 budget amendment for up to \$450,000 for the loan program.

### **Agency Response: Oppose**

MDP respectfully requests the \$450,000 appropriation in item #1, making budget bill language unnecessary.

## **MDP/MHT Capital Grant Fund**

**The Maryland Department of Planning (MDP) should be prepared to discuss why \$1.3 million in fiscal 2004 and prior year program funds have still not been expended, as well as the status of the associated projects.**

While most DHCP grants are generally expected to be completed within a period of two years from the date of award, this deadline is often a challenge for Capital grant recipients due to the requirement of a conveyance of a perpetual preservation easement from the owner of the subject property. Most Capital grant agreements are typically executed within six months from the date awards are announced and the execution of an easement typically takes nine months to one year to complete. No funds may be released to the grantee until the easement has been executed. This, on top of the unpredictable nature of construction projects of any sort, often lead to long time lines and the related delay in grant fund expenditures. Slowness to expend does not indicate the non-critical nature of certain projects, but moreover the complexity of the projects undertaken.

Grantee administrative capacity is another reason for project delays and delays in grant fund expenditures. Small, volunteer led, non profit organizations that operate on a shoestring often struggle to complete projects in a timely manner. Turnover in staff and political leadership at local governments can cause difficulties for this class of grantees. Typically, we have found it to be preferable to continue to work with grantees that are struggling to finish a project rather than pulling funding when a project is only partially completed. By accepting and understanding the complicated nature of historic preservation capital projects, the State reaps the rewards of these valuable investments.

In addition, the distribution of Capital grant funds corresponds to phases of work completed at various stages of the rehabilitation project. Capital grant funds are never disbursed in their entirety at the time of award therefore, the MHT maintains a higher unexpended balanced of encumbered funds than would be expected of other grant programs. This is a result of careful and thorough oversight and fiscal responsibility in assuring that the grantee is abiding by the terms of the agreement. If the grantee is moving forward in good faith, yet has run into complications, MHT works with the grantee to ensure that these valuable projects are brought to completion. Expending the funds before the grantee has met their contractual obligations however, never takes place.

The following chart highlights some of the complicating factors associated with previous grant awards.

Grant Award	County	Name of Project	Unexpended Funds	Justification for Delay
FY2002	Cecil	Gilpin Falls Covered Bridge	57,416.93 – FY02 \$ \$2,583.07 – FY01 \$	This project went through several engineers as is it difficult to prepare specifications for lifting a bridge over a river off its foundations. Bids came in double what estimates expected. Project was bid to additional consultants and second round of hiring a contractor went out in Fall of 2005 – no bidders replied. Scope modified and recently went out for bidding #3.
FY1997 & FY2000	Charles	Catslide Roof House	\$1,130.95 – FY96 \$ \$5,380 – FY99 \$	Work began, pre-grant repairs failed and caused failure of new work, so project was delayed. Project was further delayed by Hurricane Isabel. FY2000 grant awarded for further evaluation. 2003 restarted project with a new architect. Grantee not sure if they can come up with additional funds to complete the project with all the new damage it has suffered.
FY2003	Prince George's	Greenbelt Community Center	\$2000 – FY03 \$	This was a two phase project that involved two unusual techniques. The first was for the restoration of metal sash windows, which took a long time to specify and find a qualified contractor to undertake. The second phase is for the cleaning of stone artwork on the façade. This is also a delicate procedure and has taken a long time to specify and find a qualified contractor to undertake. Project is nearing completion and final payment is pending.
FY1997 & FY2002	Queen Anne's	Church Hill Town Hall	\$40,000 – FY96 \$ \$28,000 – FY97 \$	This project began with both legal issues and a misunderstanding/difference of opinion on scope and specifications. Scope and legal issues were finalized in 2001, but grant recipient did not have funds to undertake. New grant was awarded at end of 2002, legal paperwork for new award completed by end of 2003. Scope adjusted for time delay and project ready to bid by end of 2004. Grant recipient went into hospital, spent most of 2005 in rehab, and is town's only employee. Project is slated to begin bidding by end of March.
FY1998 & FY2002	Worcester	Mar-Va Theater	\$1,111.27 – FY94 \$ \$4,740.57 – FY96 \$ \$6,996.05 – FY97 \$ \$479.31 – FY98 \$ \$2,922.35 – FY99 \$ \$2,000 – FY02 \$ \$8,168.53 – FY98 \$	This project has been slow going partly because of legal paperwork (owner and occupant not same organization), but mostly because it is difficult to find qualified contractors in Pocomoke City. By 2000 new roof was installed, marquee was restored and all new electrical upgrade was complete. Organization was

## **Recommended Actions**

1. Reduce by \$100,000. This program has yet to encumber over \$135,000 in fiscal 2004 and prior year funds.

### **Agency Response: Reject**

These unencumbered funds are a result of proactive grant management and oversight by MHT. During the initial round of grant applications, these funds were in fact encumbered. They were subsequently unencumbered due to project costs coming in lower than anticipated or termination of the agreements by MHT in cases where the grantee was not moving forward in good faith. MDP is pleased that it actively manages its grant portfolio to free money from prior years when the grantee isn't performing their due diligence. This careful review allows this money to be made available for other deserving projects. It would send the entirely wrong message to reduce funds as a result of the agency performing effective oversight. MDP fully intends to encumber and expend the full \$135,000 that is unencumbered, as well as the \$700,000 appropriation. For FY 2007, the Trust has already received 34 applications requesting over \$1.4 million in grant funds, or double the proposed funding level for the program.

2. Adopt a technical amendment to update a statutory reference in capital budget bill text to reflect the transfer of the Division of Historical and Cultural Programs from the Department of Housing and Community Development to MDP.

### **Agency Response: Accept**